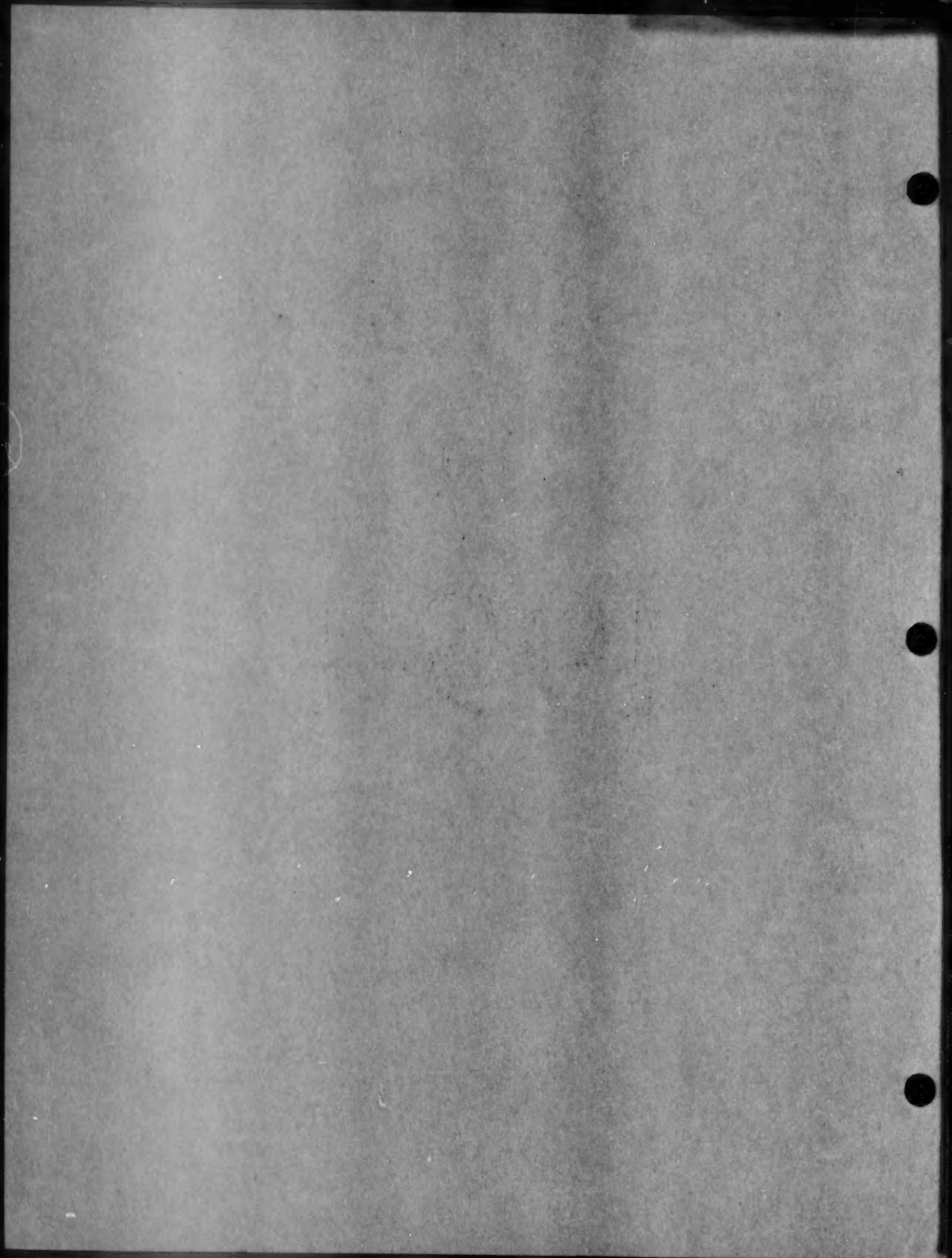


Real Estate  
in

1954





Volume XXIII

JANUARY 25  
1954

Number 1

*As*

*I see*

## REAL ESTATE IN 1954

**W**ITH the exception of the cessation of Federal rent control, 1953 was a rather uneventful year for real estate. Most real estate indexes showed no great change during the year, and the levels at the end of the year were not greatly different from those of a year ago.

It seems doubtful that 1954 will be a year of great change insofar as real estate is concerned. It is more probable that during 1954 the various real estate indexes will show some decline, but no marked drop.

Unlike many other lines of business, real estate is more sharply affected by local conditions. This is due to the fact that all real estate is fixed in location and cannot be taken to a favorable market. A shortage in one community cannot be filled by shipping in a surplus from some other community, nor can a surplus be disposed of by shipping it to a shortage area. As a result, real estate conditions will vary by larger percentages from community to community than will almost any other type of business activity.

## REAL ESTATE ACTIVITY

It should be kept in mind that by real estate activity is meant the relationship of voluntary transfers of real estate to the number of families in the community. This will quite frequently show a greater variation, city by city, than will the selling prices of real estate.

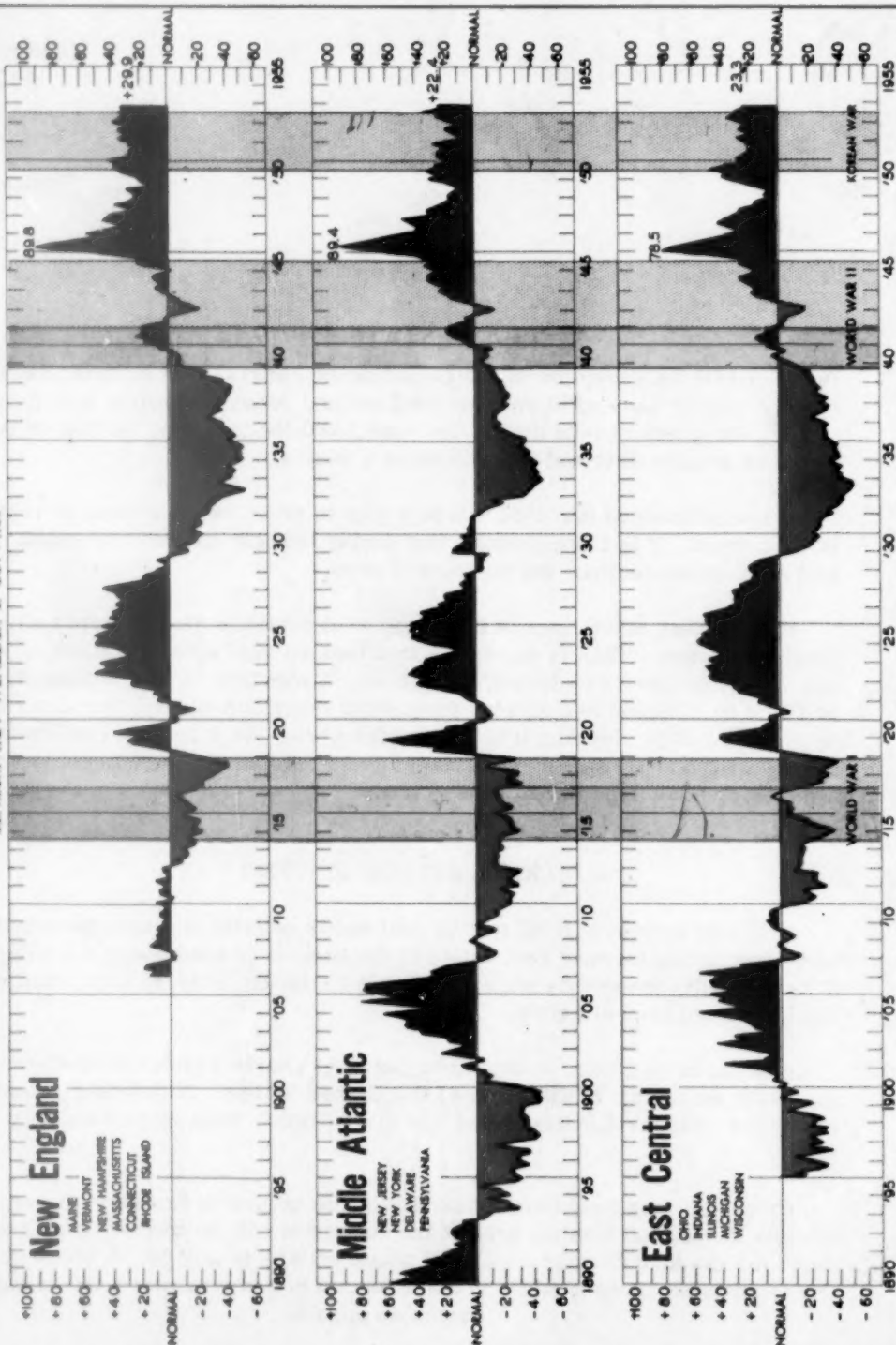
A superficial glance at the three pages of charts which follow shows a tremendous similarity in all parts of the United States. A detailed examination shows tremendous differences at any given time. This is particularly true of 1953.

By contrasting real estate activity in the Mountain States with real estate activity in the East Central area of the country it will be noticed that on our long chart for the East Central area, real estate activity is still 23.3% above our long-term computed normal, while in the Mountain States it is now 9.6% below. It is

(cont. on page 5)

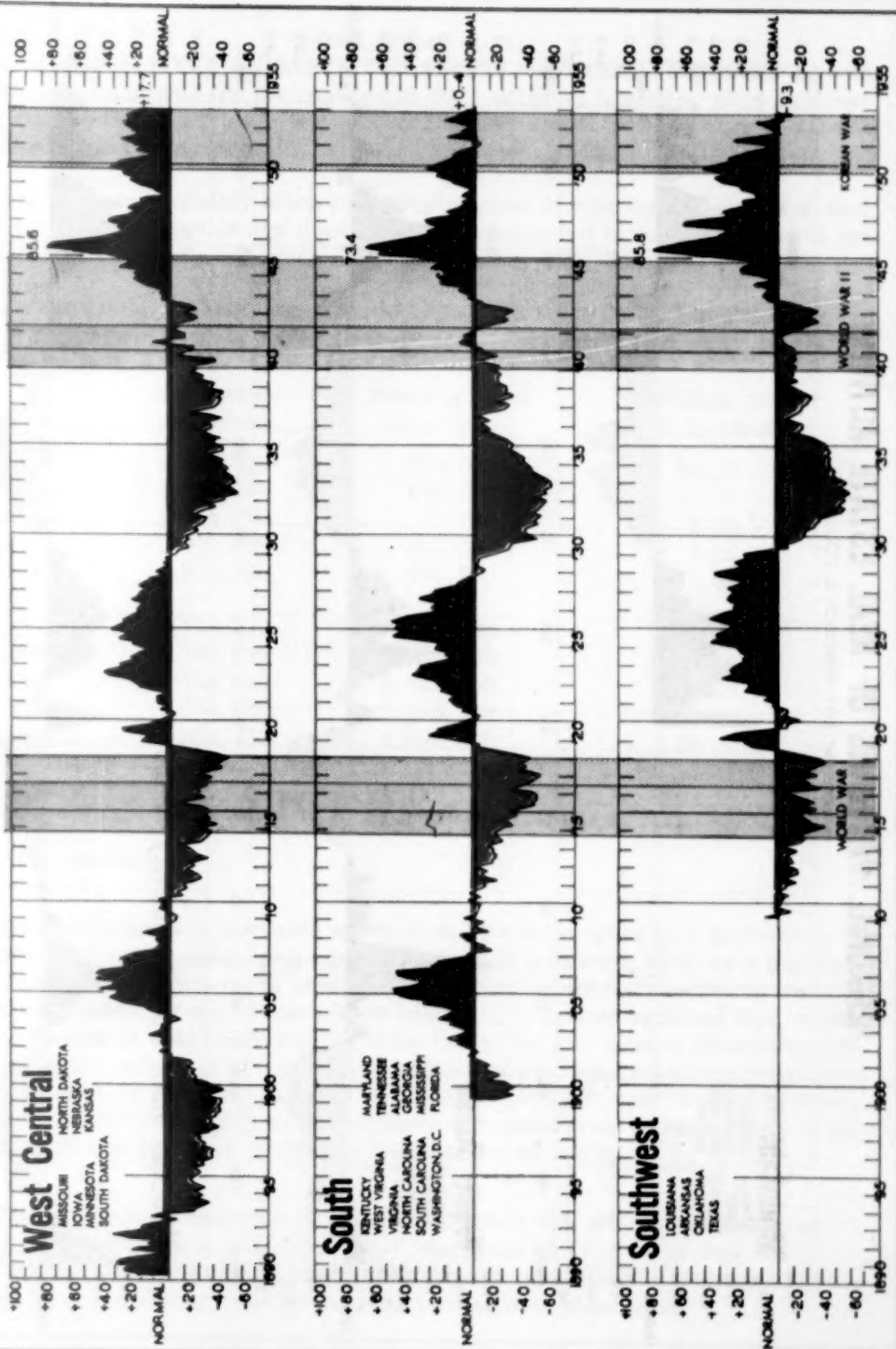
# REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

COPYRIGHT - ROY WENZLUCK & CO. - 1954



# REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

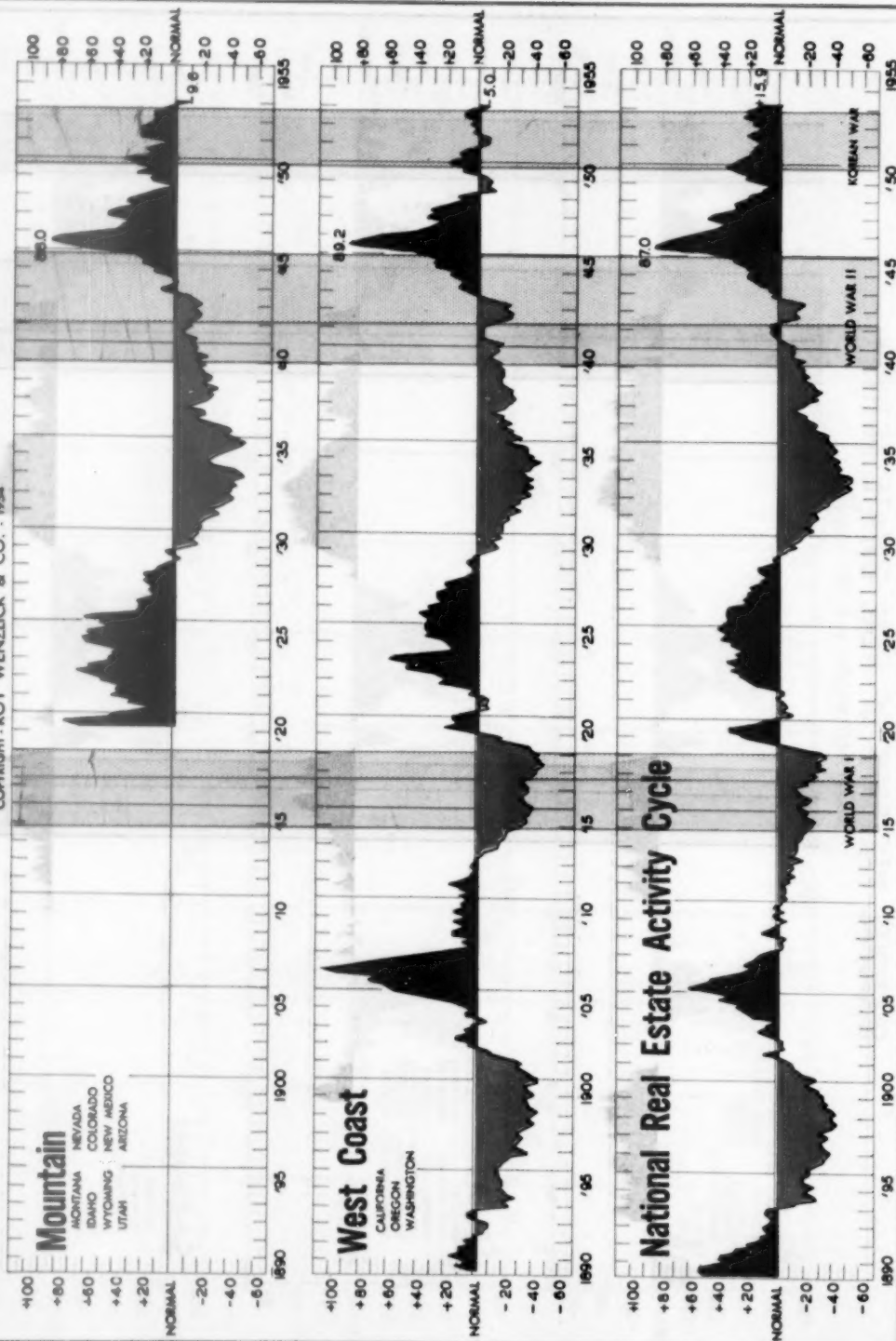
COPYRIGHT - ROY WENZLICK & CO. - 1954





# REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

COPYRIGHT - ROY WENZLICK & CO. - 1954



(cont. from page 1)

rather interesting that the West Coast and the Southwest, both rapid-growth areas, when adjusted for the changes in the number of families, show real estate activity below normal, while New England and the other slower-growth areas show it above normal.

The table immediately below shows the number of voluntary transfers of real estate and the number of new dwelling units constructed in nonfarm areas of the United States for selected years in the past ending with 1953.

**NUMBER OF TRANSFERS AND NUMBER OF NEW DWELLING UNITS  
CONSTRUCTED IN NONFARM AREAS OF THE UNITED STATES**

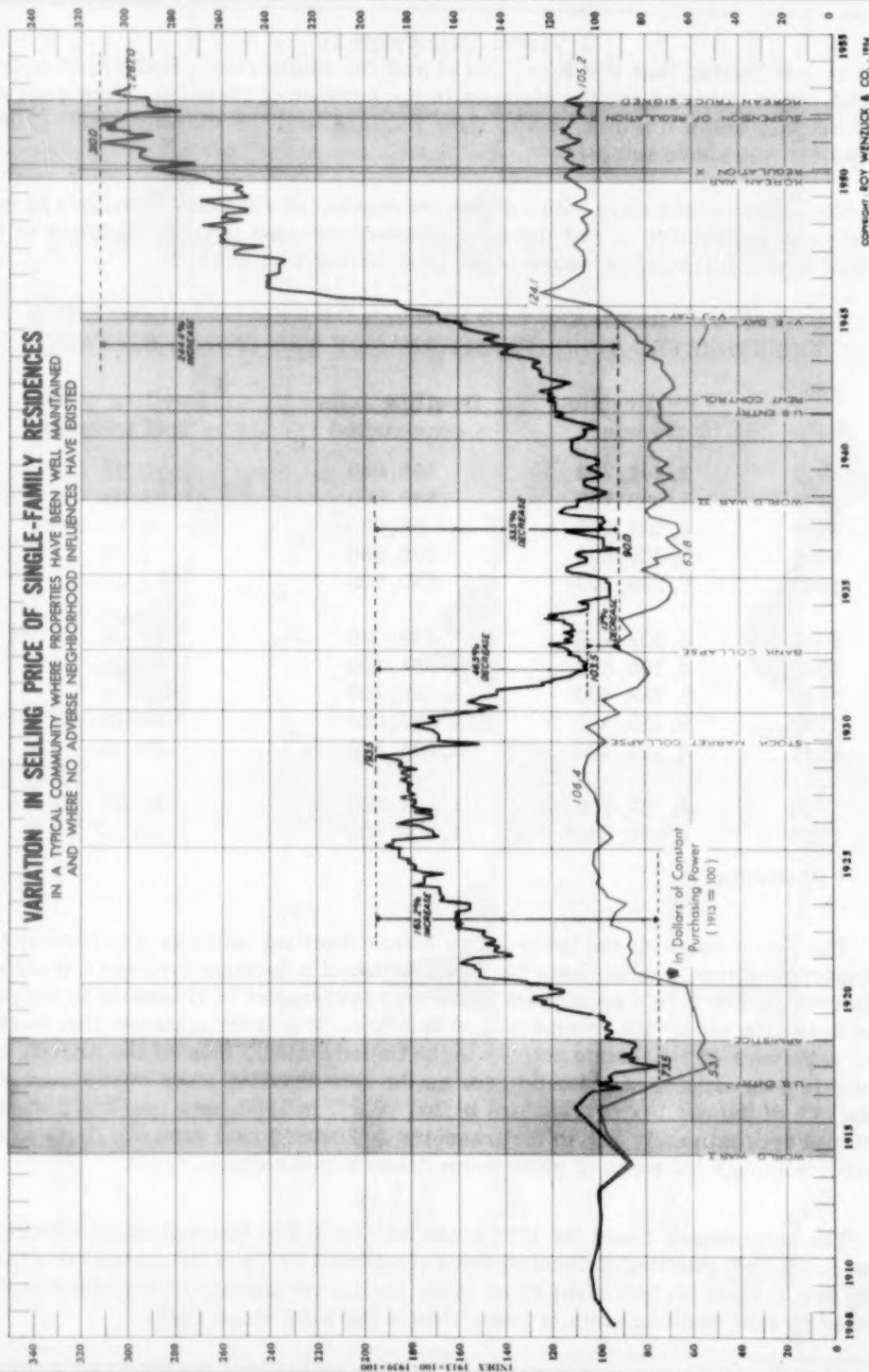
Year	Real estate transfers	Dwelling units constructed	Dwelling units as % of transfers
1913	2, 249, 700	455, 000	20. 22
1926	3, 533, 100	849, 000	24. 03
1933	1, 664, 800	93, 000	5. 59
1945	3, 909, 600	209, 300	5. 35
1946	5, 289, 500	670, 500	12. 68
1947	4, 509, 700	849, 000	18. 83
1948	4, 195, 600	931, 600	22. 20
1949	3, 788, 400	1, 025, 100	27. 06
1950	4, 530, 700	1, 396, 000	30. 81
1951	4, 362, 400	1, 091, 300	25. 00
1952	4, 457, 300	1, 127, 000	25. 30
1953	4, 638, 500*	1, 100, 000*	23. 70*

\*Preliminary.

The last column in the table above shows dwelling units as a percentage of transfers. Since in most cases the construction of a dwelling involves a transfer, this column will give a rough idea of the way the number of transfers in the past has been affected by the volume of new building. It is quite apparent that in 1946 (the peak year of real estate activity in the United States), most of the activity was caused by the selling of older homes, as the new dwelling units constituted less than 13% of the number of transfers in that year. In 1950, new construction contributed approximately 31% to the transfers and caused real estate activity to advance, although the sales of older properties showed a drop.

The preliminary figure for 1953 would indicate 4, 638, 500 real estate transfers. The 1, 100, 000 dwelling units constructed constituted 23. 7% of the transfers. Transfers are at their highest level since 1946, but the percentage of transfers represented by new dwelling units is lower than it has been since 1948.

# **VARIATION IN SELLING PRICE OF SINGLE-FAMILY RESIDENCES** IN A TYPICAL COMMUNITY WHERE PROPERTIES HAVE BEEN WELL MAINTAINED AND WHERE NO ADVERSE NEIGHBORHOOD INFLUENCES HAVE EXISTED



COPYRIGHT ROY WENZEL & CO. 1954



### CHANGES IN SELLING PRICE

The chart to the left shows the fluctuations in the selling prices of single-family residences in a typical community where properties have been well maintained and where no adverse neighborhood influences have existed. The low point was reached at the end of 1936, and the high point was reached in 1951 and 1952.

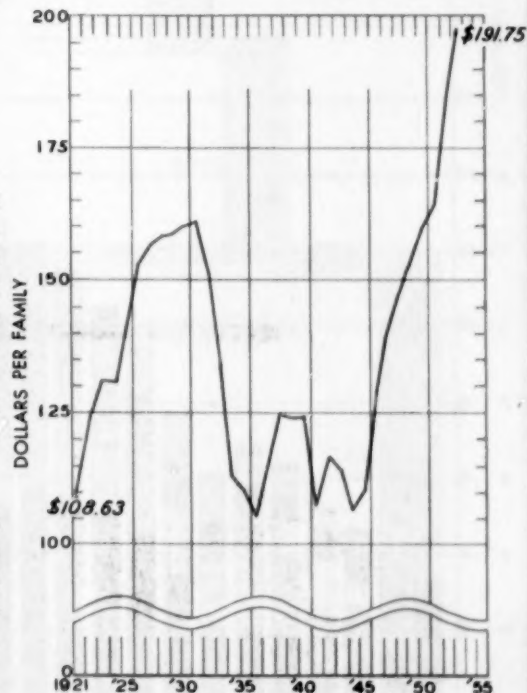
The seasonal movement which is apparent on this chart with higher prices each spring and summer will continue into 1954. When the final figures for January are available, they will probably be lower than the present level, with the spring and summer bringing some recovery, but selling prices will not reach in 1954 the levels of the spring and summer of 1953. The fall and winter of 1954 will probably bring lower prices than are current at the present time.

As the values of older buildings drop during the next few years it would be advisable to own these buildings with very substantial equities, or, if they are being held for speculation, to dispose of them at the present time. If the building is owned outright as a home, I would not recommend selling if the building is satisfactory for the family needs. If it becomes necessary to sell in the future, it will probably bring fewer dollars, but these dollars will buy more than they buy at present, and so no great loss in purchasing power of the principal would be involved. If a slim equity is owned, a decline in price could wipe out the equity entirely and leave the building worth less than the mortgage against it.

### REAL ESTATE TAXES

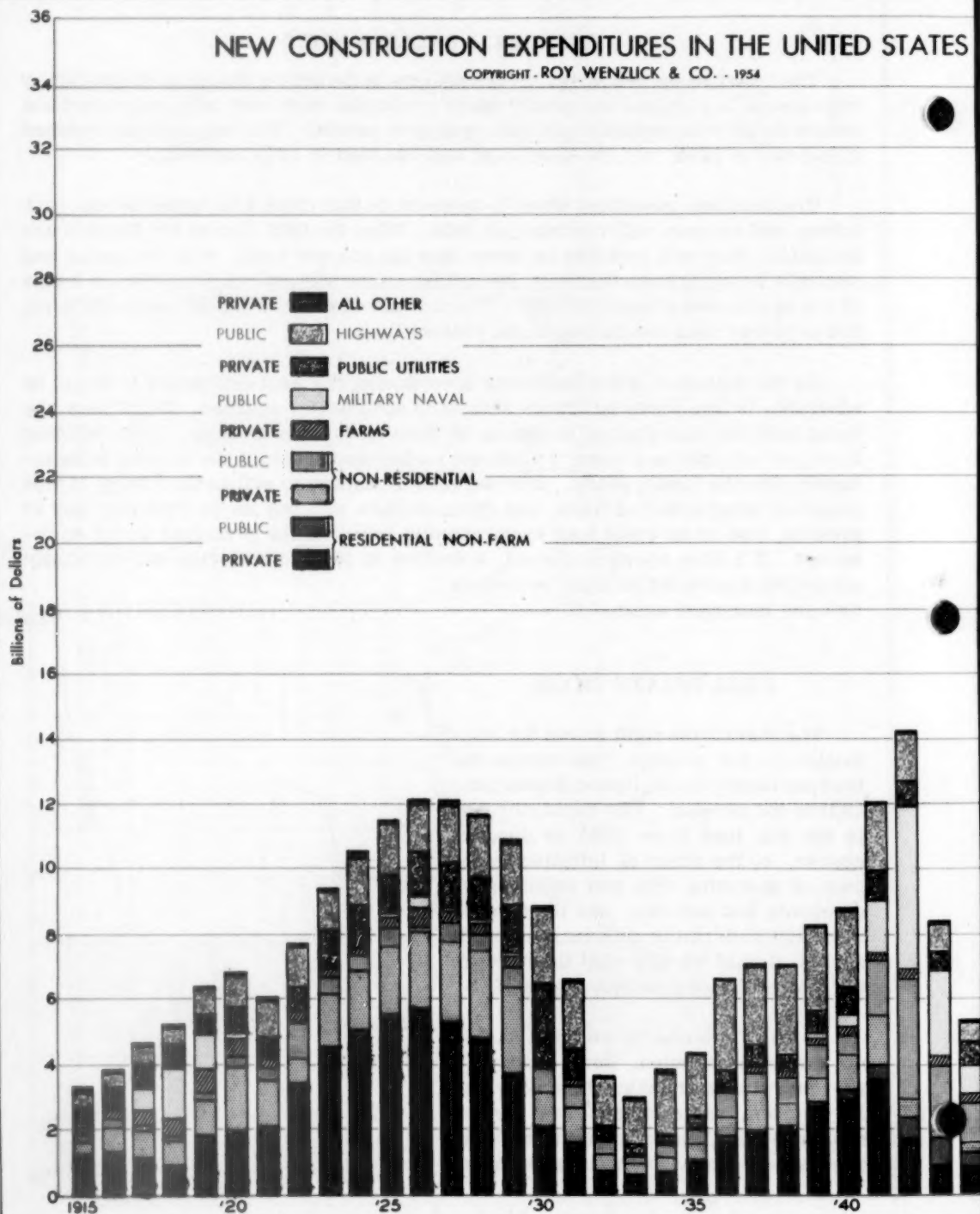
The chart to the right shows the fluctuation in the average real estate tax load per family in the United States from 1921 to the present. The rapid increase in the tax load from 1944 is due, of course, to the effect of inflation on the cost of operating city and county governments and schools. As the number of school children is still increasing, it seems almost certain that the average tax load will increase again in 1954.

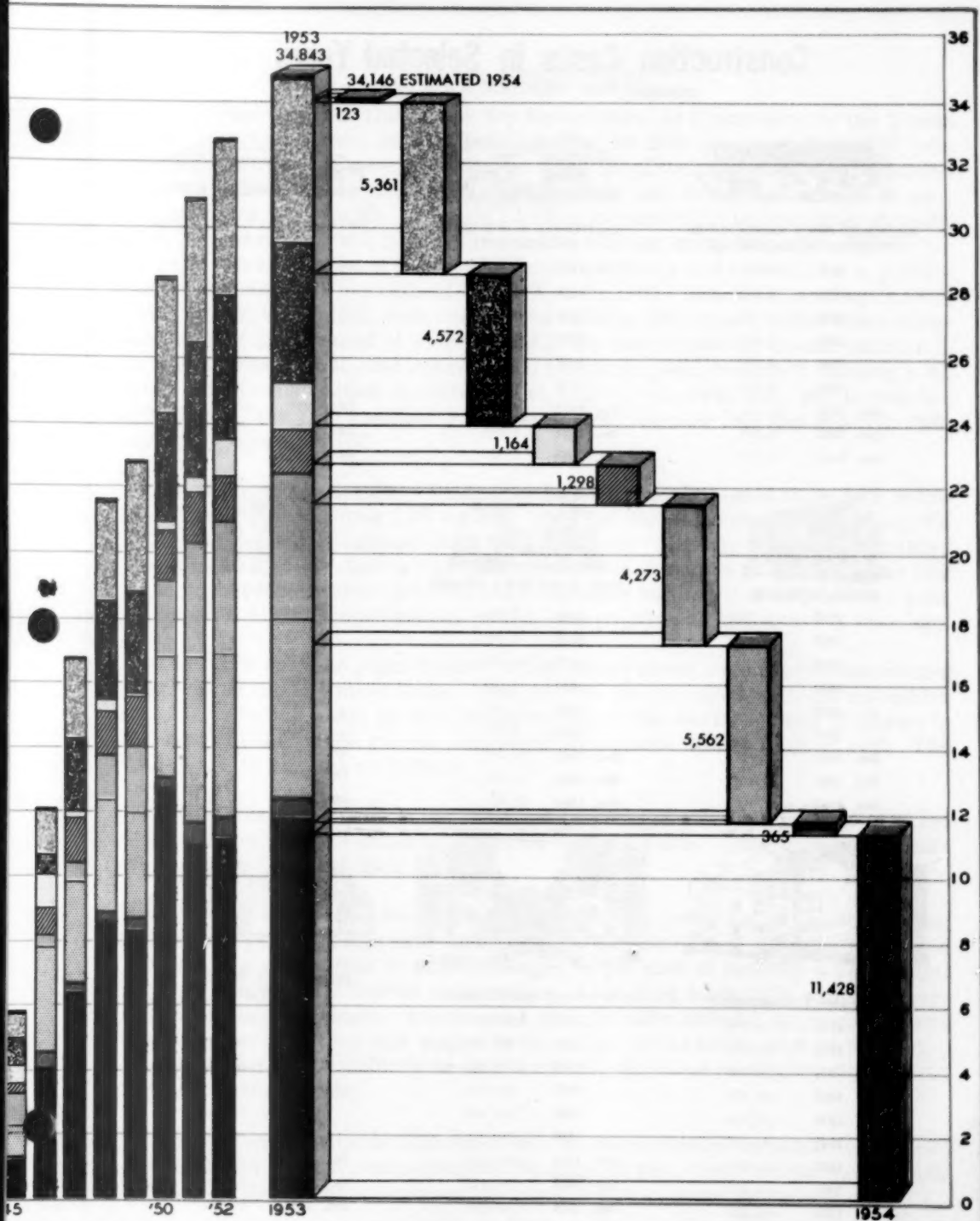
In many communities the tax load is not evenly distributed. Some taxpayers are carrying more than their share of the burden, while others are under-assessed. In these communities a disinterested reassessment is necessary.



# NEW CONSTRUCTION EXPENDITURES IN THE UNITED STATES

COPYRIGHT - ROY WENZLICK & CO. - 1954





# Construction Costs in Selected Years

COPYRIGHT - ROY WENZLICK & CO. - 1954



**STANDARD BRICK RANCH HOUSE  
WITH ATTACHED GARAGE**

1913	\$ 2,807
1919	4,416
1926	5,162
1932	3,425
1939	4,387
1945	6,071
Dec. 1952	11,641
Dec. 1953	12,077
Jan. 1954	12,074



**CALIFORNIA RANCH HOUSE  
NO BASEMENT**

1913	\$2,033
1919	3,296
1926	3,693
1932	2,352
1939	3,145
1945	4,670
Dec. 1952	9,029
Dec. 1953	9,337
Jan. 1954	9,328



**CONTEMPORARY RANCH HOUSE  
NO BASEMENT**

1913	\$ 2,786
1919	4,632
1926	5,118
1932	3,152
1939	4,279
1945	6,123
Dec. 1952	12,007
Dec. 1953	12,404
Jan. 1954	12,397



**SIX-ROOM FRAME**

1913	\$ 3,692
1919	6,139
1926	6,783
1932	4,178
1939	5,671
1945	8,115
Dec. 1952	15,914
Dec. 1953	16,440
Jan. 1954	16,460



**FIVE-ROOM BRICK VENEER**

1913	\$ 3,482
1919	5,478
1926	6,403
1932	4,248
1939	5,442
1945	7,531
Dec. 1952	14,440
Dec. 1953	14,952
Jan. 1954	14,945



**SIX-ROOM BRICK**

1913	\$ 4,241
1919	6,514
1926	7,725
1932	5,053
1939	6,092
1945	9,048
Oct. 1952	16,836
Oct. 1953	17,217
Jan. 1954	17,220



**16-FAMILY APARTMENT**

1913	\$ 40,878
1919	63,297
1926	76,496
1932	51,050
1939	57,123
1945	85,126
Oct. 1952	159,393
Oct. 1953	164,011
Jan. 1954	164,070



**30-FAMILY APARTMENT**

1913	\$ 84,564
1919	133,435
1926	154,592
1932	107,554
1939	135,085
1945	186,272
Oct. 1952	342,934
Oct. 1953	349,132
Jan. 1954	349,625



**COMMERCIAL BUILDING  
NO BASEMENT**

1913	\$12,190
1919	19,236
1926	22,286
1932	15,505
1939	19,474
1945	23,995
Oct. 1952	50,933
Oct. 1953	52,288
Jan. 1954	52,405

## NEW CONSTRUCTION

The Department of Labor and the Department of Commerce of the United States Government have issued a joint forecast for new construction in 1954. On all new construction, which in addition to building includes highways, utilities and military and naval facilities, they estimate that the dollar volume of construction will be down 2%. Private building construction is estimated at being down 3% from 1953, with nonfarm residential building being down 4%. New dwelling units are estimated at a drop of 7%, but additions and alterations to private residential buildings are estimated at 18% above 1953. Industrial building is estimated at 14% below 1953, with commercial building 10% above. Other nonresidential building is estimated at 1% above 1953, the gain consisting almost entirely in religious, educational, and recreational buildings, with hospitals showing a 4% loss. Farm construction is estimated at 12% below a year ago, public utilities at 3% above, the gain consisting almost entirely in pipe line and electric light and power construction.

On public construction, residential building is estimated to be 34% below 1953, industrial building 10% below, hospital and institutional building 19% below, but public educational building 11% above. Military and naval facilities are estimated at 12% below 1953. Highway construction is estimated at 10% above. Conservation and development building is estimated at 10% below a year ago, and all other miscellaneous public construction at 29% above a year ago.

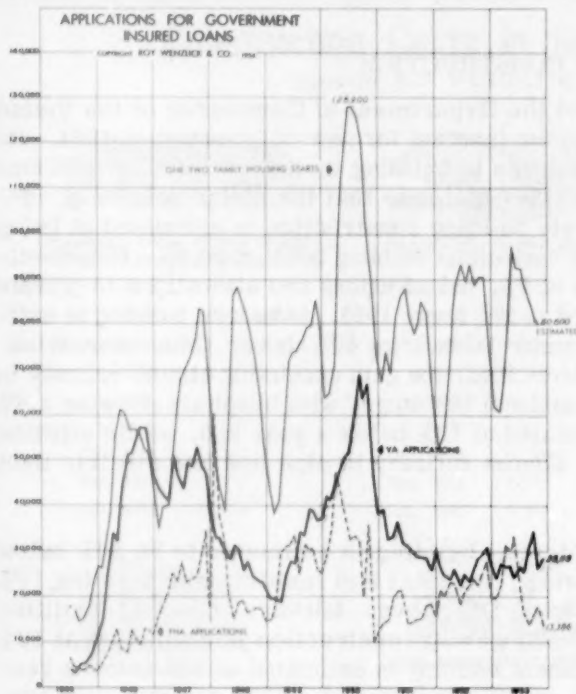
The large chart on pages 8 and 9 in this report shows the dollar volume of new construction in the United States from 1915 to the present, with the estimates for 1954. On this chart private construction of the various types is shown in shadings of blue, while public construction is shown in shadings of red. The figures are in billions of dollars.

The charts opposite show the construction costs of nine buildings for selected periods in the past in comparison with the current costs. The figures are available on these buildings back to 1913.

The rapid changes in construction costs of a few years ago are past. During the last few years, prices have been changing very little, and it seems to me that 1954 will again be a year of slight changes in the cost of building a residential building. During this period some items of building materials will increase, while some will decrease. Labor rates will probably advance slightly, but with less overtime and premium wages being paid. Total labor cost of building a building will in all probability be approximately the same or slightly less a year from now than it is now.

It also seems probable that there will be some shading in profit on the part of contractors and subcontractors as the market gets more competitive. This could offset such slight increases as might occur in some materials.





over a period of years, a decline in cash income for their crops eventually brings a lower price for farm lands.

This chart shows that some types of crops are faring considerably better than others. For instance, tobacco is still relatively close to its all-time high. Whether this level can be maintained, however, is quite doubtful, as the current trend of cigarette sales is down without much chance of immediate reversal.

Cash income from dairy products is also close to its all-time high, but the dairy industry sooner or later is going to face a considerable readjustment as the taxpayer will not continue indefinitely to pay for the Government purchase of dairy products in order to keep the price above the level at which the consumer is willing to buy the available supply. When dairy products have to find their own level in the market, many dairy farmers are going to be in trouble.

The fluctuations in the cash income from the marketing of meat animals are quite interesting in that they have had regular peaks and valleys. If we continue on the basis of the past we would expect the cash income from meat animals to turn up some time around the middle of 1954.

A careful study of all of the lines on this chart would indicate that in most fields the farmer is not too badly off in comparison with the past. Only by comparing the present with the all-time peak does he seem to be in difficulty.

## FARM VALUES

Farms reached their highest selling prices on the average in July 1952. Since that time each succeeding period has gone lower. During the past year the largest drops in farm values have occurred in Utah, Idaho, Wyoming, and Arkansas. By way of contrast, farm values in North Dakota, New Jersey, and Delaware are higher than they were a year ago.

The chart on page 16 shows the cash income from farm marketings from 1938 through 1953. Since the values for which farmers will sell their land depend on the net income they have been able to realize

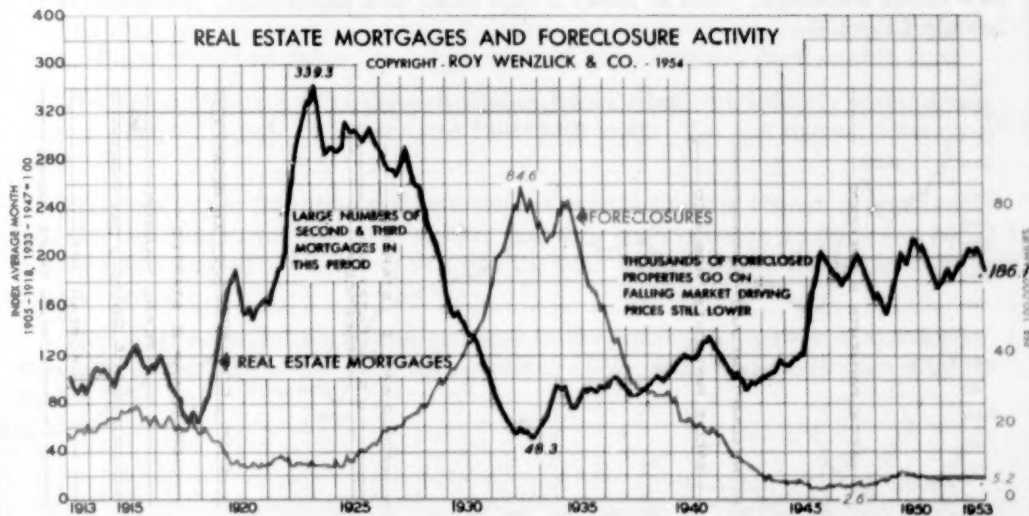
## REAL ESTATE MORTGAGES, INTEREST RATES AND FORECLOSURES

The chart below shows the fluctuations in the mortgage interest rate and in the foreclosure rate from 1913 to the present. The mortgage line is computed by adjusting the number of mortgages by the number of families and calling the rate in the periods 1905-1918 and 1933-1947 100. The boom years of the twenties were not considered in arriving at the base because of the large number of second and third mortgages during that period.

If the peak of the twenties caused by the inclusion of second and third mortgages is ignored, the level of mortgage activity at the present time is seen to be quite high; in fact, 1953 was exceeded only by 1950 in the average rate for the year. This was in spite of the fact that both FHA and VA loans were relatively low during the entire year. Because of the interest rate situation, most mortgage lenders preferred conventional loans where the interest rate was set by the market rather than by Government directives.

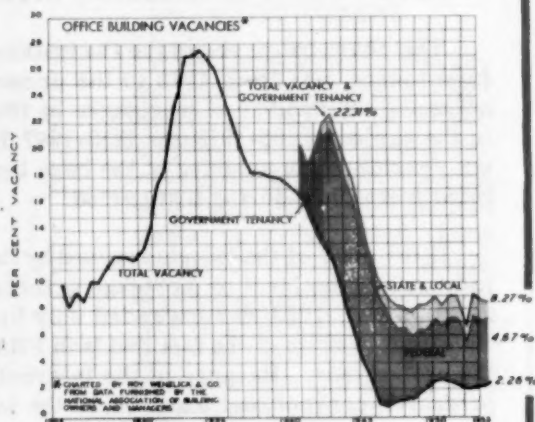
The foreclosure rate on the chart below is given as the number of foreclosures per month per 100,000 families. The peak was reached in 1933. Without the HOLC the foreclosure rate would have gone much higher, and the peak would probably have been reached in about 1935 or 1936. The rate during 1953 has been quite low, and will probably not change greatly during 1954, although it seems that any change in the rate would probably be up rather than down.

During 1953 the mortgage interest rate showed relatively little change. Our figure on the average interest rate on all loans on Manhattan Island, for instance, advanced from 5.03% to 5.11%, or less than one-tenth of 1%. I believe that the changes in 1954 will also be small.



## OFFICE BUILDINGS

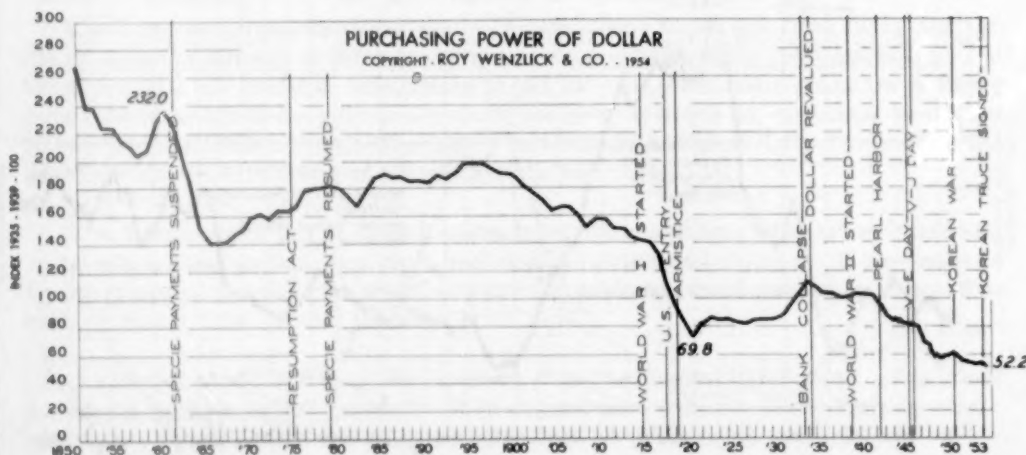
Office building vacancy on the average in the United States is still at a very low level, averaging approximately 2-1/4% in the principal buildings in the big cities of the United States. As shown by the chart on the right, however, about 6% of the occupied space in these buildings is occupied by Federal, State or local government organizations. The figures on government occupancy are not available prior to 1941, and are not available separated into Federal, State and local until October 1943.

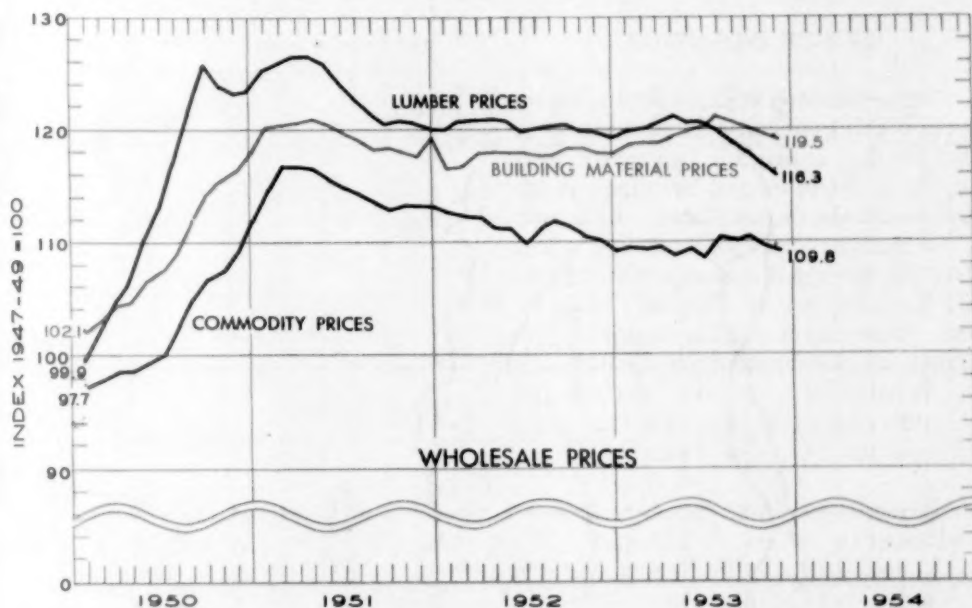


National averages, however, conceal some bad situations in individual cities. In Pittsburgh, where considerable office building construction has taken place, the vacancy is 8.7%; in Memphis, 6.1%; in Detroit, 4.4%; in Milwaukee, 5.3%; in St. Louis, 4.6%; in St. Paul, 4.9%; in Los Angeles, 4.2%; in Oakland, 5.0%; in Seattle, 6.9%; and in Spokane, 5.4%.

Office building construction will continue during 1954, with office building vacancy continuing to increase.

It still seems to me, however, that well-located office buildings, soundly financed, are good long-term investments, and should be held for the long pull. New office buildings, built at today's high cost, are hazardous, particularly if heavily financed.





#### PRICES AND THE PURCHASING POWER OF THE DOLLAR

The chart above shows wholesale commodity prices, building material prices and lumber prices since the beginning of 1950. The year 1953 was one of relatively little change for wholesale commodity prices. The last figure available (November 1953) is 109.8, in contrast with the January 1953 figure of 109.9.

Building material prices advanced slightly during the year, reaching a peak in July. Since that time there has been a gradual but consistent decline each month.

The price of lumber has been declining slightly but consistently since April, when it reached a peak of 121.5 of the 1947-1949 level. The last figure (November) is 117.5.

It seems to me that 1954 will be a year of relatively little change in commodity prices, building materials and lumber, but with such changes as do occur being down rather than up. I think we will end the year with all three items below their present levels.

The chart opposite shows the changes in the purchasing power of the dollar. It seems probable that the purchasing power of the dollar will increase slightly during 1954.

*Roy Wenzlick*  
ROY WENZLICK

## CASH INCOME FROM MARKETING

COPYRIGHT: ROY WENZLICK &amp; CO. - 1954

